

**EXPORT ASSISTANCE CENTER OF WASHINGTON**  
**King County, Washington**  
**January 1, 1993 Through December 31, 1993**

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**Schedule Of Findings**

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1. The Export Assistance Center Of Washington (Center) Should Not Use State Funds For Lobbying Expenses

A review of the center's 1993 Employer's Lobbying Expenses report, filed with the state, disclosed that the center used \$5,539 of state funds to pay for lobbying expenses.

The 1994-95 contract between the center and Washington Department of Community, Trade and Economic Development (CTED) states:

E. Lobbying and Hosting

1. Pursuant to RCW 42.17.190 (2), no funds provided under this contract or raised using state funds may be used directly or indirectly for lobbying.

The funds were inappropriately used due to a lack of internal controls which since have been strengthened.

As the center has no source of funds that allow lobbying expenses, reimbursement to CTED is not practical.

We recommend the center not use state funds for lobbying expenses.

2. The Center Should Deliver Biennial Performance Assessments

The center did not deliver a required performance assessment on time.

The 1994-95 contract between the center and CTED states with respect to the center's Pacific Northwest Export Assistance Project (PNEAP):

C. Biennial Performance Assessments

1. Pursuant to RCW 43.210.110 (f) the (center) shall design and conduct biennial performance assessment . . . The performance assessment for the 1992-93 biennium shall be delivered to (CTED) by February 14, 1994.

The assessment was in the draft stage as of October 13, 1994, the last day of audit field work. Consequently, CTED has not been able to assess the costs and benefits of the project to the state in a timely manner.

We recommend the center complete the 1992-93 biennium assessment in an expeditious manner and deliver future assessments in accordance with the contracted time frame.

3. The Center Should Deliver Financial And Contract Compliance Audit

The center did not comply with audit requirements on time.

The 1994-95 contract between the center and CTED states:

I. Financial and Contract Compliance Audit

1. A financial and contract compliance audit by the State Auditor's Office shall be completed prior to June 30, 1994.

The audit report was in the draft stage as of October 13, 1994. Consequently, CTED has not been able to assess the center's fiscal stewardship and contract compliance in a timely manner.

The delay was due to the late engagement of the auditors which did not allow completion of the audit report by June 30.

We recommend the center in the future arrange for any required audits allowing sufficient time for completion and submission of the audit by the due date.

4. The Center Should Maintain Adequate Inventory Records And Title To Property Purchased With State Funds Should Be Passed To CTED

We found the center did not have a complete and accurate inventory of property which it acquired with state funds.

The 1994-95 contract between the center and CTED states under General Terms And Conditions For Contractors:

IV. Records, Documents, And Reports

The Contractor shall maintain . . . records . . . which sufficiently and properly reflect . . . costs . . . expended in the performance of this contract.

The contract further states:

VIII. Treatment Of Assets

Title to all property purchased by the contractor, and charged against the contract, shall pass to and vest in (CTED).

Aside from noncompliance with the contract, the absence of a reliable equipment inventory exposes the center and CTED to loss and damage to the property.

We recommend the center tag and inventory the subject equipment.

5. The Term Of Office Of Some Board Members Was Unavailable

The center was unable to provide us complete information as to the center's board of directors and their terms of office.

RCW 43.210.030 regarding the center's board, memberships, terms and vacancies states in part:

The (center) and its branches shall be governed and managed by a board of nineteen directors appointed by the governor and confirmed by the senate . . . Any vacancies on the board . . . shall be filled by the governor  
. . . .

We recommend the center make available complete information as to its board and their terms of office.

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**Schedule Of Federal Findings**

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During 1993, the center's Pacific Northwest Export Assistance Project (PNEAP) was awarded United States Department of Agriculture (USDA) Cooperative Forestry Assistance totaling \$96,000. Of that total \$61,462 was drawn down during the fiscal year ended December 31, 1993, the period under audit. The assistance was intended to be shared as a joint venture with a non-profit organization known as WoodNet, with the center responsible for its management.

The following summarizes the federal assistance activity for 1993:

<u>Date of USDA Check</u>	<u>Amount</u>	<u>WoodNet Portion</u>	<u>PNEAP Portion</u>	<u>In Bank At 12/31/93</u>
May 21, 1993	\$20,000	\$ 7,200	\$12,000	\$ 800
July 20, 1993	22,000	11,251	10,000	749
October 26, 1993	<u>19,462</u>	<u>12,000</u>	<u>-0-</u>	<u>7,462</u>
Totals	<u>\$61,462</u>	<u>\$30,451</u>	<u>\$22,000</u>	<u>\$ 9,011</u>

Our audit of this federal assistance disclosed the following findings and recommendations:

1. The Center Should Maintain Records That Identify Adequately The Application Of Funds For Federally Sponsored Activities

We found the support for the expenditure of this federal assistance to be deficient.

- a. Support for the WoodNet expenditures, as maintained at the center, consisted of WoodNet invoices for "Export Assistance, Brochures, Advertising" \$7,200; various expenses for Kobe Japan Home Fair \$11,250.73; and June through September salary, benefits and travel for an employee \$12,203.28. We found no receipts or other documents on file at the center to support these invoices. We found no evidence of monitoring on the part of the center. Further, the center did not require or receive an audit of WoodNet.

The United States Office of Management and Budget (OMB) Circular A-133 states:

A recipient that receives a federal award and provides \$25,000 or more of it during its fiscal year to a subrecipient shall:

- a. Ensure that the non-profit . . . subrecipient . . . has met the audit requirements of this circular . . . .

As we had no way to verify the expenditures related to WoodNet, we are questioning \$30,451.

b. PNEAP's portion of the federal expenditures included:

(1) Staff time of 93.11 hours, billed at \$70 an hour, totaling \$6,517.70. We found no support for the rate. The timesheets documenting the hours were not a part of the center's normal payroll system but rather calendar notations, signed by the employee but evidencing no supervisory signatures.

(2) A PNEAP payment to the center's general account for various costs totaling \$7,462. These costs included staff time of 47 hours at \$70 an hour or \$3,290 with the same lack of support as above; and charges of \$4,172 for a booth at a China trade show, travel and product familiarization, for which no supporting receipts were provided. Further, these costs were billed twice, in both the July and October billings to USDA, resulting in most of the \$9,011 in the bank at year end.

(3) Payment of \$1,500 to Naturally Bent for participation in an import showcase in Japan. We found no supporting receipts on file.

We are questioning costs of \$15,479.70 related to these items.

The United States Office of Management and Budget (OMB) Circular A-110, Attachment F, states:

Recipients' financial management systems shall provide for:

- a. Accurate, current, and complete disclosure of each federally sponsored project . . .
- b. Records that identify adequately the source and application of funds for federally sponsored activities . . .

These conditions resulted from a lack of internal administrative control structure used to administer federal financial assistance and the fact that the center had no prior experience with federal assistance.

We recommend the center confer with USDA as to the resolution of these questioned costs.

2. The Center Should Adhere To Federal Cash Management Requirements

The center received cash advances in excess of its immediate needs. At December 31, 1993, the center had carried a balance of federal funds of \$9,011 for over two months, of \$1,549 for five months, and of \$800 for seven months.

The United States Office of Management and Budget (OMB) Circular A-110, Attachment F, states:

Recipients' financial management systems shall provide for:

- e. Procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement by the recipient . . . .

The excess cash resulted from a lack of a clear reconciliation between the requests for funds and the associated expenditures, and the double inclusion of the \$7,462 noted in Finding 1.

These conditions resulted from a lack of internal administrative control structure used to administer federal financial assistance and the fact that the center had no prior experience with federal assistance.

We recommend the center implement the necessary procedures to minimize the time elapsed between the receipt and the disbursement of federal funds in order to ensure future compliance with federal cash management regulations.

3. The Center Should File The Required Federal Reports

The center provided us with only a copy of a draft of one of two semi-annual progress reports. There was no other evidence of compliance with the reporting requirements.

The letter of agreement between the center and USDA states that the center should:

. . . send . . . semiannual progress reports that specify general accomplishments as measured by number of assists, marketing plans prepared, value of products exported . . . At the end of the project . . . a final accomplishment report . . .

We were given no clear explanation why the center did not file the required reports.

We recommend that the center file the remaining required reports.